

FDIC State Profile

Summer 2004

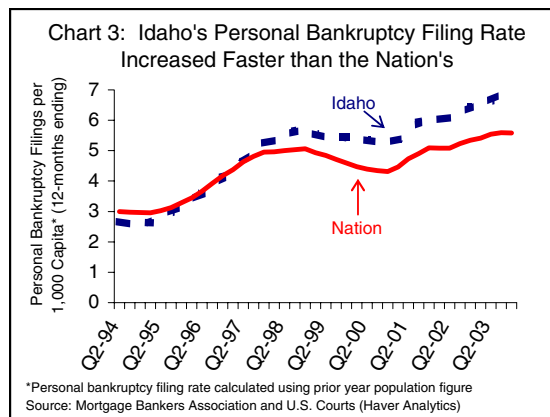
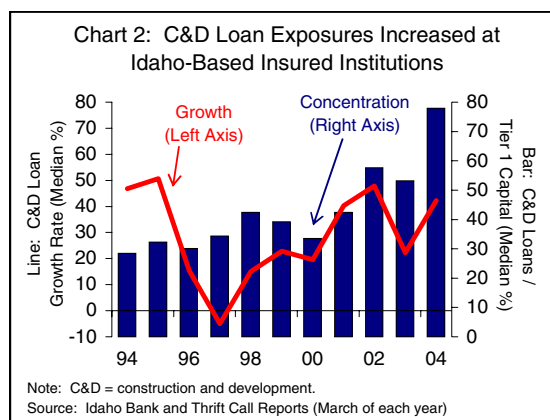
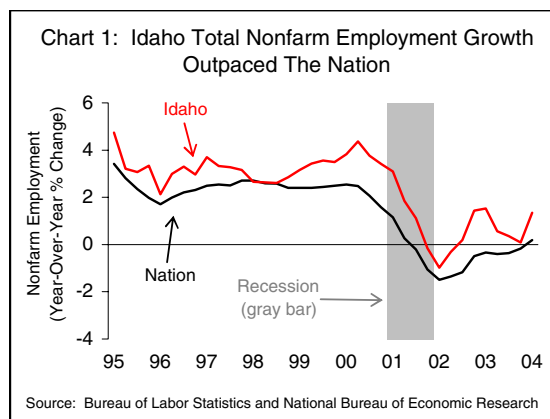
Idaho

Strength in the service sector boosted Idaho's nonfarm employment in the first quarter of 2004.

- Idaho's nonfarm employment grew 1.35 percent year-over-year as of the first quarter of 2004, outpacing the national employment rate (See Chart 1). Growth was strongest in the education and health services, and professional and business services sectors, posting year-over-year increases of approximately 5 percent and 4 percent, respectively.
- Manufacturing was the weakest of major sectors in terms of employment with a decline of 4 percent year-over-year as of the first quarter 2004. Most of the job losses in the manufacturing sector came from the wood products sub-sector. While the number of jobs in this sub-sector is small, they are important to rural economies because they are relatively high wage jobs. Despite strong demand for lumber, job losses continue. Investments made by the lumber industry have increased manufacturing capacity through improvements in sawmill efficiency.¹ Additionally, timber harvested from federal lands has decreased over the past decade, constraining supply, and producers have faced strong competition from Canadian lumber mills.²

New construction in Idaho during 2003 set a record in dollar value terms.

- New construction built in the state during 2003 was valued at \$2.4 billion, a new record and a 12-percent increase over the prior record set in 2000. Residential housing, both single and multiple-family, accounted for almost two-thirds of new construction in the state during 2003.³ The construction sector has been buoyed by low interest rates and strong population growth. Idaho's population growth in 2003 ranked the fifth strongest in the nation.⁴



¹Idaho's Forest Products Industry: Current Conditions and Forecast 2004, Idaho Forest, Wildlife, and Range Experiment Station, University of Idaho, January 2004.

²Division of Financial Management, State of Idaho, Idaho Economic Forecast, April 2004, page 16.

³"2003 was 'incredible' for building", The Idaho Statesman, March 16, 2004

⁴Maharry, Mike "Idaho Population Growth Robust", The Idaho Statesman, May 27, 2004

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- Perhaps in response to strong demand for homes, insured institutions based in Idaho expanded construction and development (C&D) lending. The median C&D loan-to-Tier 1 capital ratio reported by insured institutions headquartered in Idaho increased significantly during the past decade, increasing from 28 percent in first quarter 1994 to 78 percent in first quarter 2004 (See Chart 2).

Idaho continued to report some of the nation's highest bankruptcy and foreclosure rates.

- Contrary to the positive trends in nonfarm employment, Idaho's personal bankruptcy rate rose 7 percent year-over-year in 2003; the state filing rate was 24 percent higher than the national average (See Chart 3). Bankruptcy trends contributed to an above-average foreclosure start rate in the state. The fourth quarter 2003 Idaho foreclosure start rate, according to the **Mortgage Bankers Association** (MBA), was 0.52 percent of all mortgages, up year-over-year from 0.43 percent, and in excess of the national rate of 0.46 percent.
- Underscoring the state's high bankruptcy and foreclosure rates, Idaho's home price appreciation trailed the nation. According to the **Office of Federal Housing Enterprise Oversight**, Idaho ranked 40th out of the 50 states and the District of Columbia in home price appreciation in 2003, with a one-year appreciation rate of 4.2 percent, roughly half the national rate of 8 percent.
- Much of Idaho has experienced drought conditions over the previous four to six years. The south-central and eastern parts of the state continue to experience extreme or exceptional drought conditions.⁵ Nonetheless, field crop planting progress appears to be ahead of 2003.⁶
- Cattle, dairy products, and potatoes accounted for over two-thirds of Idaho farm receipts in 2002, the latest data available.⁷ Prices for these commodities have been volatile, but prices received by Idaho farmers for these commodities have recently increased (See Chart 4).⁸

Credit quality among Idaho-based insured institutions weakened, particularly in various commercial lending categories.

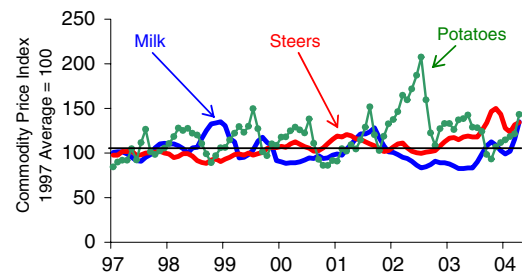
- The median overall past-due loan ratio reported by insured institutions headquartered in Idaho increased from 1.09 percent to 1.36 percent year-over-year as of first quarter 2004. Significant increases in delinquencies year-over-year

as of first quarter 2004 were noted among the commercial real estate (CRE), C&D, and commercial and industrial (C&I) loan categories. Annualized net charge-off ratios and allowance for loan and lease loss coverage ratios remained stable.

Idaho-based insured institutions reported weaker earnings performance for first quarter 2004, driven by narrowing net interest margins (NIM) and lower non-interest income.

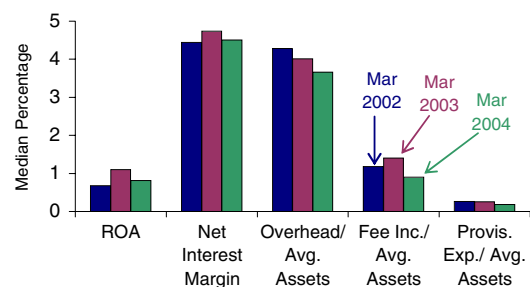
- The median return on average assets (ROA) for first quarter 2004 dropped to 0.82 percent, compared to 1.10 percent one-year earlier, and significantly below the 1.02 percent ROA reported by insured institutions nationwide. Narrowing NIM and lower levels of non-interest income more than offset reductions in overhead and provision expenses (See Chart 5). NIM decreased as the median yield on earning assets fell 28 basis points, but the median cost of funding earning assets only fell 17 basis points year-over-year as of first quarter 2004.

Chart 4: Prices for Idaho's Major Agricultural Commodities Increased Year-Over-Year



Source: USDA (Haver Analytics)

Chart 5: Lower Net Interest Margins and Fee Income Weakened Earnings Performance



Note: ROA = return on average assets
Source: Idaho Bank and Thrift Call Reports

⁵U.S. Drought Monitor, National Drought Mitigation Center, University of Nebraska-Lincoln, May 18, 2004.

⁶"Idaho Crop Weather", Idaho Agricultural Statistics Service, May 17, 2004.

⁷United States Department of Agriculture Department, Economic Research Service, Idaho State Fact Sheet, April 19, 2004.

⁸Idaho Agricultural Statistics Service, Agriculture in Idaho, April 7, 2004.

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Idaho at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	18	19	20	19	19
Total Assets (in thousands)	4,863,724	4,251,570	3,722,696	3,288,752	2,669,194
New Institutions (# < 3 years)	1	2	2	1	2
New Institutions (# < 9 years)	7	7	9	8	7
Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	8.53	8.42	8.57	8.73	9.71
Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	1.36%	1.09%	1.89%	1.34%	1.67%
Past-Due and Nonaccrual >= 5%	0	1	0	0	0
ALLL/Total Loans (median %)	1.40%	1.37%	1.36%	1.37%	1.38%
ALLL/Noncurrent Loans (median multiple)	3.06	3.08	2.16	3.13	2.97
Net Loan Losses/Loans (aggregate)	0.07%	0.04%	0.14%	0.20%	0.15%
Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	1	1	3	2	1
Percent Unprofitable	5.56%	5.26%	15.00%	10.53%	5.26%
Return on Assets (median %)	0.82	1.10	0.68	0.56	0.73
25th Percentile	0.60	0.72	0.27	0.17	0.46
Net Interest Margin (median %)	4.51%	4.74%	4.44%	4.67%	5.14%
Yield on Earning Assets (median)	5.93%	6.21%	6.99%	8.81%	8.75%
Cost of Funding Earning Assets (median)	1.52%	1.69%	2.43%	4.09%	3.76%
Provisions to Avg. Assets (median)	0.18%	0.25%	0.27%	0.22%	0.37%
Noninterest Income to Avg. Assets (median)	0.90%	1.40%	1.18%	0.90%	0.87%
Overhead to Avg. Assets (median)	3.66%	4.01%	4.28%	4.01%	4.24%
Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	86.72%	83.83%	79.62%	80.16%	78.80%
Loans to Assets (median %)	70.87%	71.34%	67.81%	68.78%	71.00%
Brokered Deposits (# of Institutions)	7	5	4	4	3
Bro. Deps./Assets (median for above inst.)	5.34%	3.47%	5.74%	5.72%	5.80%
Noncore Funding to Assets (median)	19.31%	17.35%	18.09%	20.49%	20.20%
Core Funding to Assets (median)	67.19%	67.91%	67.96%	68.34%	68.93%
Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	13	13	14	13	14
National	1	1	1	1	1
State Member	1	2	2	2	2
S&L	1	1	1	1	1
Savings Bank	2	2	2	2	1
Stock and Mutual SB	0	0	0	0	0
MSA Distribution		# of Inst.	Assets	% Inst.	% Assets
No MSA		13	3,607,769	72.22%	74.18%
Boise City ID		4	1,157,306	22.22%	23.79%
Pocatello ID		1	98,649	5.56%	2.03%